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**STATE BOARD OF EQUALIZATION**

May 7, 1976

916-445-2641

This is to confirm our advice to you of May 5, 1976.

We understand that --- --- --- plans to lease a trailer to a customer here in California. You have inquired as to whether you may pay use tax measured by the purchase price of the raw materials incorporated into the trailer.

We are of the opinion that you may pay the tax measure by the purchase price of the raw materials and that tax will not apply to the lease transaction. Revenue and Taxation Code Section 6006 provides that the term "sale" means and includes any lease of tangible personal property except a lease of "mobile transportation equipment for use in transportation of persons or property..." the trailer in question will qualify as an item of mobile transportation equipment under Revenue and Taxation Code Section 6023. Since the lease will not qualify as a sale, you will be regarded as the consumer of the raw materials incorporated into the trailer. Revenue and Taxation Code Section 6094 provides that a lessor of mobile transportation equipment may in certain circumstances elect to pay his use tax measured by the fair rental value of the equipment. The lessor is free, however, to decline to make this election.

Very truly yours,

Gary J. Jugum  
Tax Counsel

GJJ:lb

Bc: Out of State  
Chicago